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F. C. I. News Letter

PUBLISHED BY
The FEDERAL CROP INSURANCE CORPORATION
United States Department of Agriculture
February 11 Washington, D. C. 1939

FEB 18 1939

News Letter is designed to inform field workers of the AAA and FCIC of developments in the crop insurance program and is not for general distribution

THE MANAGER'S MESSAGE

The crop insurance program moves into another important phase with the announcement of the procedure for adjustment of losses.

The principal objective of this part of the program is to provide a speedy and accurate settlement of all claims made by insured farmers. The test of this adjustment work will come as adjusters meet farmers face to face to measure their crop losses, for the future success of the program will depend largely on the manner in which adjustments and settlements are made. The Corporation is anxious that each policyholder who suffers a loss be paid every bushel of wheat to which he is entitled -- no more and no less.

However, the work of adjusting crop losses does not end in taking every precaution to assure an equitable settlement. In addition adjusters must keep in mind that their work has a great deal to do with the participation that may be obtained in future years. Salesmanship and diplomacy are as much a part of adjustment work as they are of the sign-up campaign. Indeed, the adjustment work will do much to lay the ground work for the sign-up next year. A grower who has received what he regards as a fair adjustment will be a favorable prospect for the future and will be an aid in increasing the participation in crop insurance in his neighborhood. The same settlement, if misunderstood, or improperly handled might cause the grower to become a poor prospect, tending to influence his neighbors in the same way. What we want are "good" adjustments -- those which are fair and accurate and which are handled in such a way that growers understand the basis of settlement and feel that their claim has been handled courteously, impartially, in an efficient, businesslike manner.

This will provide the best kind of a foundation for a successful conclusion to the 1939 program and a sound foundation for that of 1940.

Leroy K. Smith
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WASHINGTON FARMER INSURED TO RECEIVE 10,777 BUSHELS

A yield of 10,777 bushels of wheat is guaranteed to A. I. Camp from his 1,707 acres of wheatland in Whitman County near LaCrosse, Wash., under all-risk policies issued to him by the Federal Crop Insurance Corporation. Harry B. Ramsey, chairman of the Agricultural Conservation Committee said Mr. Camp's applications were among the largest in the State of Washington.

PROGRESS REPORT FIGURES

CONTINUE TO MOVE UPWARD With March 1 set as the last day on which applications will be received from spring wheat growers in county Triple-A offices, 271,186 applications had been received in the branch offices of the Corporation as of February 3. This figure does not include the thousands of applications which have been written by spring wheat growers that for various reasons have not yet been reported to the branch offices. This week's report shows that premium notices have been received from 1,244 counties as against 1,232 for a week earlier. Through February 3 a total of 116,614 premiums had been received and 109,514 policies issued. The wheat reserve on that date moved up to 3,679,221 bushels.

North Dakota leads all states this week for the number of applications sent to the branch office with 32,798. Missouri, however, is still on top for policies actually issued with 15,324. Kansas wheat growers have placed 798,544 bushels in the wheat reserve which is over a quarter of a million bushels above its nearest competitor, Nebraska. Nearly 77 percent of the premium notices issued to New York growers have brought in the required premium payments to put their policies into effect.

The wheat reserve for the three branch offices on February 3 was: Kansas City, 2,981,333 bushels; Minneapolis, 662,888 bushels; and Washington, 35,000 bushels. For more detailed data see the table on page 3.

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CROP OUTLOOK BETTER FOR

GROWERS OF WINTER WHEAT A dry area extending from the high plains of eastern Colorado, eastward across Kansas and Missouri and into Illinois, Indiana, and Ohio, has been "whittled down" to a fraction of its extent, as it was mapped by crop reporters at the opening of the New Year.

This dry belt extended almost through the middle of the main winter wheat area and attracted special attention because the prevailing dry soil-surface conditions increased the winter hazards for wheat. In the states named, however, about 65,000 farms have their growing wheat protected by Federal crop insurance policies.

Conditions have improved since mid-January. Most of Missouri and practically all of the states east of the Mississippi have moisture enough for the winter needs of wheat. Much of Kansas could use more, but the improvement during the last two weeks of January is indicated by the fact that 70 Kansas crop reporting stations recorded precipitations totaling from a trace up to more than one and one-half inches. Nearly half of the stations recorded over a quarter inch -- equivalent to two and one-half inches of snow.

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PRESENT WHEAT STOCKS

ARE AT NEW HIGH MARK A report recently issued by the Crop Reporting Board estimates that as of January 1, 1939, stocks of wheat in interior mills, elevators, and warehouses was 138,678,000 bushels. In addition to this figure wheat held on farms amounted to 281,190,000 bushels, bringing the total to 419,868,000. This total figure compares with 323,335,000 bushels for January 1, 1938. Present stocks are higher, the report states, than in any of the previous 4 years.

COMBINED REPORT OF BRANCH OFFICES

Through February 3, 1939

STATE	Applica- tions Received	Premium Notices Issued	Premiums Received	Premiums Received Percent	Policies Issued	Number of Counties
<u>WASHINGTON BR.</u>						
New York	820	816	627	76.8	585	18
New Jersey	32	32	29	90.6	21	2
Pennsylvania	3,520	3,499	2,214	63.3	1,931	26
Delaware	170	169	79	46.7	73	3
Maryland	1,546	1,531	974	63.6	913	13
Virginia	1,376	1,371	912	66.5	862	13
West Virginia	2	2	1	50.0	1	2
TOTAL	7,466	7,420	4,836	65.2	4,386	77
<u>KANSAS CITY BR.</u>						
Ohio	25,275	25,010	10,324	41.3	10,076	88
Indiana	18,020	17,764	11,169	62.9	10,800	89
Illinois	21,880	21,609	12,200	56.4	11,777	94
Michigan	9,729	9,614	5,044	52.5	4,865	40
Iowa	6,808	6,633	4,631	69.3	4,427	56
Missouri	31,694	31,374	15,858	50.5	15,324	112
Nebraska	29,115	28,641	12,662	44.2	12,133	78
Kansas	26,707	26,258	14,860	56.6	14,371	105
Oklahoma	13,278	13,184	8,597	65.2	8,275	51
Texas	6,050	5,944	3,693	62.1	3,464	71
Idaho (South)	911	877	357	40.7	172	17
Wyoming	731	700	225	32.1	188	10
Colorado	4,070	3,972	766	19.3	709	29
New Mexico	416	410	112	27.3	103	5
Utah	749	707	414	58.5	339	13
California	1,353	1,067	221	20.7	53	33
TOTAL	196,786	193,814	101,133	52.2	97,076	891
<u>MINNEAPOLIS BR.</u>						
Wisconsin	228	224	152	67.8	147	14
Minnesota	12,432	10,542	3,299	31.3	2,933	64
North Dakota	32,798	25,637	2,300	9.0	1,547	53
South Dakota	13,375	11,615	1,777	15.3	1,240	64
Montana	3,695	2,718	1,366	50.2	1,094	43
Idaho (North)	1,365	1,344	827	61.5	577	8
Washington	2,398	1,821	543	29.8	255	17
Oregon	643	545	381	69.9	259	13
TOTAL	66,934	54,446	10,645	19.5	8,052	276
WASHINGTON TOTAL	7,466	7,420	4,836	65.2	4,386	77
KANSAS CITY "	196,786	193,814	101,133	52.2	97,076	891
MINNEAPOLIS "	66,934	54,446	10,645	19.5	8,052	276
COMBINED TOTAL	271,186	255,680	116,614	45.6	109,514	1,244

LOSS-ADJUSTMENT METHODS,

FORMS HAVE BEEN APPROVED

Adjustment of wheat crop losses sustained by FCI policyholders will be handled by State and county agricultural conservation committees, it was announced recently by the Corporation. The procedure and forms to be used in the adjustment work was approved February 2 by Secretary of Agriculture Wallace.

The settlement of claims for losses to insured crops will be administered in much the same manner as the sign-up work. A farmer who believes his insured wheat crop has been damaged to an extent that would bring the yield below the insured coverage can set the adjustment machinery in motion by advising his county committee of his loss either on Form FCI-7, Notice of Damage During Growing Season, or Form FCI-8, Notice Before Harvest, Removal, Transfer, or Other Use of Wheat Crop, whichever form is applicable. Following such notification the insured crop claim will be inspected by an inspector working under the direction of the county committee.

The Corporation believes that the method to be used in the adjustment phase of the program will make it possible for speedy and accurate settlement to be made of losses which may occur to crop insurance policyholders. Some losses have already been reported from the winter wheat area, and on the basis of present crop prospects it is possible that losses to the 1939 crop will be above average. It is hoped that through the extensive field organization made available under this plan that losses can be inspected and settlements made promptly on all valid claims.

Special adjusters will be selected by the county committees, subject to the approval of State committees, to handle adjustment investigations. Crop losses will be classified as "total losses" or "substantially total losses." In the case of total losses, proof of loss for the entire insured amount will be submitted by the grower to obtain settlement. In the case of a substantially total loss, or one which makes it impracticable further to care for the crop, proof of loss will be based upon the amount of loss sustained, taking into account the appraised production which might be expected from the damaged crop. In case of either a total loss or a loss that makes it impracticable to care for the crop any longer, the grower may put the land to other use after his claim has been settled. Where crop losses cannot be defined as total or substantially total, final adjustment will be made after the wheat is threshed when the actual yield can be determined.

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FCI GETS JERSEY GIANT COOPERATION

From Wynne L. Smith, county crop insurance supervisor of Ashtabula County, Ohio, comes this one:

"I noticed in the last News Letter that a Crop Insurance representative collected a premium via the farmer's grocery account. We can go him one better. One of our representatives endeavored to collect a premium from a small grower who did not have the money and was not eligible for an ACP assignment. So the representative accepted three Jersey Giant roosters as payment, sold them and turned in the cash."

WHEAT CROP INSURANCE WILL HAVE SEVERE TEST IN 1939

"It has become a commendable American custom to submit new products to strenuous tests -- to try them out under the worst possible conditions in order that any weak points may be found and that the product may be perfected." This was the theme of a talk given by Manager Leroy K. Smith recently at Farmers Week, Ohio State University. He pointed out that our agricultural colleges and experiment stations thoroughly test new crops for possible improvements; that the automobile and airplane have reached their present high standard of operation only because industry spends millions of dollars every year on testing grounds whereby defects are determined enabling the manufacturer to make corrections. A brief digest of the address follows:

Approximately $4\frac{1}{2}$ million acres of wheat fields of the United States have become the proving grounds for an idea that is designed to bring a new measure of security to American farmers. That idea is crop insurance. Not a new idea to be sure, but never before has the test been made on such a thoroughly planned foundation. Wheat was chosen as the guinea pig for the test for three reasons: (1) Wheat farmers have needed insurance as badly as any; (2) a large amount of data have become available on this particular crop, and, (3) it is a crop subject to a wide range of conditions.

A 300-Million-Bushel Toll

Weather, insects, and plant diseases have caused the nation's wheat fields to produce depleted yields. V. N. Valgren, formerly of the Department of Agriculture and a pioneer in crop insurance work, found that from 1909 to 1919, unavoidable crop losses took a yearly toll of 2 to 3 billion dollars from the principal crops. Wheat growers alone annually sacrifice an average of 300 million bushels of wheat to the whims of the weather, insects, and plant disease. In the 10-year period from 1916 to 1926, adverse weather reduced the wheat crop by 23 percent as compared to 9 percent destruction by plant disease, insects, animal pests, and poor seed.

Crop failures occur wherever wheat is grown, even in such a region as Ohio where yields are known to be reasonably stable. Average yields in Ohio since 1866 have varied from 6 to 28 bushels an acre. In the past 75 years, low-yield years and complete crop failures have occurred 15 times. Thus the Ohio wheat grower may expect his crop to fail once every 5 years. A few farmers have guarded against these inevitable failures by putting aside a part of each good harvest. But this is only an individual reserve and two or three failures in succession can reduce a thrifty farmer from security to insecurity. Through a group reserve, which is the backbone of the crop insurance idea, the grower has absolute assurance that he will have wheat to sell as long as he pays his share to this group reserve.

Avoids Price Insurance

Perhaps the most important contribution to the all-risk crop insurance plan is the method of avoiding price insurance. Earlier attempts to insure crops have failed because of the price element. The wheat market may double or triple itself in a season and can go down as much and as fast. The present crop insurance plan gives the farmer assurance that he will have a substantial part of his average crop to sell and is conducted on a bushels-of-wheat basis. The farmer's premium and indemnity is measured in bushels of wheat.

From actual yield records of thousands of farmers data have become available under the various programs of the Triple-A which make it possible to

measure wheat-growing risks right down to the county and individual farm. The crop insurance idea as now operating should succeed because it has the necessary sound actuarial foundation; it is being applied on a national scale which spreads the risk over the entire wheat industry; it has a ready-made administrative set-up in the State and county committees of farmers; it has a method which assures that the price element will not defeat the insurance of yield.

Growers are not always able to mature their applications into policies because the plan involves an investment of about a bushel an acre. This amount cannot always be taken from the farm budget on short notice. The filling out of an application, however, does give the grower some knowledge of how the crop insurance plan operates and it has provided the FCIC with necessary data to keep its actuarial tables up to date.

Adjustment is Real Test

Growers from coast to coast are this year giving wheat crop insurance a thorough test. In fact every community in the United States, where wheat is a crop of any consequence, will have a field demonstration of the plan. There are 88 counties in Ohio and policies have been issued to farmers in every one of them. The gratifying participation in the program should be credited to the ability of the farmers who comprise the field organization to sell crop insurance. But the real test of crop insurance will come when the 1939 crop is harvested. We will then find out how premiums and losses stack up. Not until then can our method of making adjustments be accurately appraised.

The condition of the western wheat crop at the present time indicates that indemnities in 1939 will likely exceed the wheat reserve. It is expected that the crop insurance program will have to face situations like this many times in the course of its operation. Had wheat crop insurance been in effect from 1930-35, indemnities would have exceeded premium payments 3 years out of 6, yet at the end of the period there would have been an approximate balance. In other years, total premiums paid in by farmers will exceed the amount paid out in indemnities and the wheat reserve will grow. But this does not mean that premium rates are out of line. It simply means that better-than-average crops have been produced.

Crop insurance is a pioneering program. A new trail is being blazed in the hope of bringing a new measure of stability not only to wheat farmers, but perhaps to growers of other crops. It is bound to be expensive at first because there are new and troublesome problems to meet. Yet, we believe that in the end it will prove to be a good American product, equal to the severe tests it will receive.

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WHEAT LOOKING GOOD DOWN

ON SOUTHERN KANSAS LINE "Wheat in and around Kiowa is in the best condition for this time of the year that I have ever seen it," comments Albert Rumsey, who said he had accompanied several cattlemen over their holdings where livestock was grazing on rich wheat pasture. Recent high-moisture-content snows have soaked directly into the ground, causing plants to continue their growth during the current warm period.

Mr. Rumsey believes that the abundant wheat pasture in this section will make good grazing all season as the winter is advanced to a point where long-retained snow is highly improbable. Subsoil moisture and the wet condition of the topsoil make this an ideal year for cattlemen and sheep owners who have more land than they need for their stock. -- Kiowa, Kansas News. (Clipping from the Kansas City Star of Feb. 1, 1939).

INDIANA WHEAT GROWERS ARE

ASSURED 2-MILLION BUSHELS

Through premium payments for "all-risk" insurance on their wheat crops, 11,170 Indiana farmers have contributed more than 140,000 bushels of wheat to the insurance reserve of the Corporation, according to Charles B. Gregory, state crop insurance supervisor. "Indiana wheat growers, under their crop insurance policies, have an insured production of more than 2 million bushels next year," Mr. Gregory said. "Growing wheat on more than 170,000 acres of land in the State is protected, up to 75 percent of its average yield against possible loss from drought, flood, winter-kill, or any other hazards which the farmer cannot control."

The production insured to these 11,170 growers is nearly 190 bushels per policy, Mr. Gregory pointed out. Almost 62 percent of the Indiana growers who applied for insurance have paid their premiums. Insured production per acre averages more than 25 percent above that for the 16 states served from the Kansas City office, which includes considerable dry plains area. Insurable average yields, he reminded, go up with stable gains in production. Insurance rates, being based on the crop-loss history of the farm and the county, are lowered with better farming practices.

Wheat was threshed on 85,000 Indiana farms in 1934, Mr. Gregory says. Farmers in all but four of Indiana's 92 counties have a share in the 2 million bushels of insured production for the State. In each of ten different counties, 300 or more growers have policies. These are Allen, Boone, DeKalb, Henry, Kosciusko, Marshall, Montgomery, Randolph, Steuben, and Tippecanoe. The high county is Randolph, with 435 policies from a "sign-up" of 530 applications. In a dozen other counties between 200 and 300 farmers each have these "all-risk" crop insurance policies. The average for the State is 127 policies per county, for the 88 counties participating.

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MONTANA FARMER INSURES 2,135

ACRES OF WHEAT FOR 1939-40

Ed Kopac, Hardin, Mont., farmer, not only has paid one of the largest single premiums for Federal crop insurance in Montana, but he also has paid the necessary premium to insure his 1940 crop. Mr. Kopac is assured of 75 percent of an average yield from 2,135 acres or a total insured production of 15,373 bushels. The cash equivalent of his 1939 premium was \$1,063.79, the premium rate per acre being 1.80 bushels.

In making his deposit for insurance on his 1940 crop, Mr. Kopac sent in \$1,263.53, but the Corporation returned \$199.74 of this amount to him because no policyholder is permitted to make a 1940 deposit that exceeds the present year's premium.

In 1930, Mr. Kopac said his crop was damaged by drought and in 1931 by hail. In 1934 his yields were again reduced by drought.

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EASTERN BRANCH BRIEFS

Of the 7,466 applications received by the Washington branch office, 3,520 came from Pennsylvania wheat growers, nearly 50 percent . . . As of February 3 New York State ranked highest for the entire country with respect to percentage of premiums received against premium notices issued with 76.8 percent . . . Rockingham County, Va., sent in 559 of the 1,376 applications submitted by the entire State.

MARCH 1 IS DEADLINE FOR SPRING WHEAT INSURANCE

The deadline for spring wheat applications is March 1, it has been announced by the Corporation, through a Department of Agriculture press release. This means that spring wheat growers must have their applications on file in the county Triple-A office by the first of March if they wish to insure their 1939 crop against all natural hazards.

The March 1 deadline brings the sign-up phase of the 1939 program to a close. No final date has been set for receipt of premium payments from spring wheat growers. As of January 16, a total of 278,560 applications had been reported to the Corporation from 30 states. Of this total, 206,753 were from winter wheat states and 71,800 from spring wheat growers. On January 20, 114,137 growers had paid the premiums necessary to put their policies into effect. The Corporation's wheat reserve on January 28 amounted to 3,618,877 bushels.

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WHAT IS INSURANCE ?

Insurance on Growing Crops

When drought has threatened their fields farmers have hoped and prayed for rain and sometimes got so much of it their crop, along with some of the soil in which it grew, washed completely away. Other devastating hazards, less directly connected with the weather, such as insects, animals, and plant diseases have repeatedly taken their toll leaving the farmer no reward for his labors nor means with which to buy food and clothing. He has been helpless to protect himself against these natural enemies. One of the most independent members of organized society in his business and social relations, the farmer, from an economic standpoint has been to an unusual degree at the mercy of the whims of nature.

Attempts have been made in the past 40 years by private companies to apply insurance principles to growing crops but for various reasons none has been successful. The possibilities of crop insurance whereby the farmer could place his farming operations on a business basis have been studied by the Federal Government since 1920 but not until the present crop insurance program was put into effect did it have the necessary actuarial data or the field organization to administer such a program.

The nucleus of the present program was expressed by V. N. Valgren in 1922 when he said that any insurance on growing crops must cover any and all hazards which are beyond the farmer's control. "In no case must the insurance protect against loss from carelessness or negligence on the part of the insured. Such protection involves a moral hazard, the encouragement of which is against the best interests not only of the company but also of the insured and of public welfare in general."

Insurance must cover only such crop damage as will result in serious financial loss to the farmer, he said. "The premium, or cost of insurance, must bear a reasonable relationship to the value of the protection it purchases. This means that the expense item in the expenditures of the insurance organization must be held to a minor part of the premiums collected; that profits, if any, must be moderate; and that the bulk of the premiums must be available for the payment of current losses and in favorable years for additions to a reserve for the payment of future losses.

"The method of adjusting loss must be such that the insured will receive crop loss indemnities in the amount or on the basis he is led to expect from the figures indicating the amount of insurance an acre. The company should not profit by a calamity to the farmer in the form of reduced prices for his wheat." As the plan actually operates today, quite the reverse is true. The farmer can benefit by low prices in that he can pay his premiums with low-price wheat whereas in all probability indemnities will be paid to him when his crops fail on a bushels-of-wheat basis of higher priced wheat.

Mr. Valgren further said in effect that provision should be made for prompt adjustments in case of total failure of an insured crop, or such an approximation to failure that it would not pay to mature and harvest the crop. "All adjustments involving only partial damage should, so far as possible, be left until after the crop has been harvested and put into marketable form so that the quantity and grade can be determined. This makes possible economy in adjustment expenses.

"There must be a certain degree of understanding between the farmers and the company or agency offering the insurance if protection is to be available on truly favorable terms. Crop insurance must be bought on the same principle as fire insurance is purchased, merely as a guaranty against serious loss and not with the expectation of securing an indemnity every 2 or 3 years. If crop insurance is written with the idea that frequent indemnities for minor cases of crop damage are to be paid, it necessarily becomes so expensive that those in greatest need of it can ill afford to buy it. The insured should find some method of helping the organization providing protection so that administrative expenses will be held to a minimum."

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HAIL INSURANCE COLLECTIBLE

DESPITE ALL-RISK POLICIES At a recent meeting of the Western Hail and Adjustment Association the pro rata clause in policies used for writing hail insurance was redrafted so as to provide that where a farmer carries an all-risk crop insurance policy, the hail insurance, if any, carried under such all-risk policy will not be taken into consideration in the adjustment of a loss under the hail policy issued by stock fire insurance companies.

The pro rata clause in the Standard Hail Policy now reads:

"This Company shall not be liable for a greater proportion of any loss or damage than the amount hereby insured shall bear to the whole insurance whether valid or not covering any crop insured hereunder in whole or in part against loss or damage by hail. Provided, however, that if any of the crops insured hereunder are also insured under an All-Risk Crop Policy, then and in that event any hail coverage under said All-Risk Crop Policy shall not be considered as coming under the pro rata provisions of this policy."

It is understood that this clause has been adopted by practically all companies in 19 of the central states which write hail insurance on growing crops. Since hail policies will not affect FCIC adjustments (News Letter Nov. 19) the insertion of the above clause in hail policies would seem to create a distinct advantage to the crop insurance policyholder.

CORRECTION

News Letter of January 24 (page 6) presented data on the locations and amounts of the Corporation's wheat reserve. Figures on the location and amount of wheat stored in Kansas were incomplete. The following correction is therefore made:

Kansas

Arkansas City - - -	95,000
Concordia - - - -	17,500
Dodge City - - - -	165,000
Hayes - - - - - -	3,500

Hutchinson - - -	295,000
Wichita- - - - -	270,000
Zenith - - - - -	4,000
Yocemento- - - -	<u>2,000</u>
TOTAL	852,000 bushels